Registered number 11488502

ZILCH TECHNOLOGY LIMITED

Annual report and consolidated financial statements for the year ended 31 March 2021

ZILCH TECHNOLOGY LIMITED

Annual report and consolidated financial statements for the year ended 31 March 2021

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ZILCH TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors
P M Belamant
S Belamant (appointed 20 October 2021)
P Chernyshov (appointed 20 October 2021)
S O'Connor (appointed 28 June 2022)

Registered Number
11488502

Registered Office
123 Buckingham Palace Road
London
England
SW1W 9SH

Independent Auditors
Wellden Turnbull Limited
Chartered Accountants and Statutory Auditors
Albany House
Claremont Lane
Esher
Surrey
KT10 9FQ

ZILCH TECHNOLOGY LIMITED

DIRECTORS' REPORT

Group Directors' report for the year ended 31 March 2021

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2021.

Directors

The names of all persons who were Directors during the year and up to the date of signing are:

P M Belamant
S Belamant (appointed 20 October 2021)
P Chernyshov (appointed 20 October 2021)
S O'Connor (appointed 28 June 2022)

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with EU-adopted International Financial Reporting Standards (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Director confirmations

Each of the Directors in office at the date the Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and

DIRECTORS' REPORT (CONTINUED)

- the Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Small company provisions

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Wellden Turnbull Limited as auditor of the Group.

This report was approved by the board of Directors and signed on its behalf.

DocuSigned by:

P M Belamant Philip Belamant

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Date: 5/8/2022

ZILCH TECHNOLOGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZILCH TECHNOLOGY LIMITED

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of Zilch Technology Limited for the year ended 31 March 2021, which comprise the Consolidated and Company Balance Sheets, the Consolidated Statement of Profit or Loss and Comprehensive Income, the Consolidated and Company Statement of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International accounting standards, including EU-adopted International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and of the Company's affairs as at 31 March 2021 and of the Group and the Company's loss and cash flows for the year then ended;
- have been properly prepared in accordance with EU-adopted IFRS in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below.

We are independent of the Group and of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZILCH TECHNOLOGY LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

ZILCH TECHNOLOGY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZILCH TECHNOLOGY LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. We evaluated management's incentive and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance as to actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Reviewing the tax provisions and R&D claim calculations for reasonableness with assistance from our independent tax specialists;
- Reviewing financial statement disclosures and verification to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the recognition of revenue across key income streams in line with applicable accounting standards, including review of sales contracts and the application of cut-off to ensure that revenue is being recognised in the correct period;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing and challenging assumptions and judgements in respect of significant accounting estimates, specifically in relation to expected credit losses provided under IFRS 9 in respect of consumer loans;
- Reviewing and challenging management assumptions, judgements and fair value calculations in respect of financial liabilities designated as at fair value through profit and loss (FVTPL), including review of the underlying convertible loan agreements; and
- For equity-settled and cash-settled share-based payment schemes, reviewing the underlying share option and award agreements and ensuring compliance with IFRS 2. Further, reviewing management input assumptions into option-pricing models and grant date fair values for reasonableness and performing sensitivity analysis to ensure charges to profit loss in the period and closing reserves/liability balances (as applicable) are materially correct.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ZILCH TECHNOLOGY LIMITED (CONTINUED)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Other matters

For the previous accounting year ended 31 March 2020 the Company did not form part of a group and prepared its financial statements under United Kingdom Generally Accepted Accounting Practice - FRS 105. The prior year financial statements were not subject to audit.

Use of our report

This report is made solely to the Group and Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Group and the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, the Company, the Group and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Nelligan

Mark Nelligan FCA (Senior Statutory Auditor)

for and on behalf of
Wellden Turnbull Limited

Chartered Accountants
Statutory Auditors

Albany House
Claremont Lane
Esher
Surrey
KT10 9FQ

Date: 09/08/2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

			As restated
		2021	**2020**
Continuing operations	Note	**£'000**	**£'000**
Revenue	5	**733**	**44**
Cost of sales		**(690)**	**(242)**
Gross profit/(loss)		**43**	**(198)**
Administrative expenses		**(7,138)**	**(2,952)**
Operating loss		**(7,095)**	**(3,150)**
Share-based payment expense	23	**(405)**	**-**
Other gains and losses	9	**(751)**	**-**
Finance costs	10	**(110)**	**(156)**
Loss before taxation		**(8,361)**	**(3,306)**
Income tax	11	**557**	**241**
Loss after taxation		**(7,804)**	**(3,065)**
Total comprehensive expense for the year		**(7,804)**	**(3,065)**
Loss for the year attributable to:			
Owners of the parent		**(7,804)**	**(3,065)**

There was no other comprehensive income for the year.

The notes on pages 14 to 40 are an integral part of these financial statements.

ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 £'000	As restated 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**152**	**24**
Intangible assets	14	**453**	**61**
Total non-current assets		**605**	**85**
Current assets			
Trade and other receivables	15	**4,645**	**314**
Cash and cash equivalents	16	**28,962**	**465**
Current tax assets	11	**557**	**241**
Total current assets		**34,164**	**1,020**
Liabilities			
Current liabilities			
Trade and other payables	17	**(1,335)**	**(341)**
Other financial liabilities	18	**(10,751)**	**(4,087)**
Total current liabilities		**(12,086)**	**(4,428)**
Net current assets / (liabilities)		**22,683**	**(3,408)**
Non-current liabilities			
Other financial liabilities	19	**(74)**	**-**
Net assets / (liabilities)		**22,609**	**(3,323)**
Capital and reserves			
Called up share capital	21	**1**	**1**
Share premium	22	**17,263**	**-**
Share-based payment reserve	23	**331**	**-**
Advanced subscription reserve	24	**16,142**	**-**
Profit and loss	26	**(11,128)**	**(3,324)**
Equity attributable to owners of the parent		**22,609**	**(3,323)**

The Group financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Philip Belamant
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P M Belamant

Date: 5/8/2022

The notes on pages 14 to 40 are an integral part of these financial statements.

ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2021

	Note	2021 £'000	As restated 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	152	24
Other intangible assets	14	453	61
Total non-current assets		605	85
Current assets			
Trade and other receivables	15	4,645	314
Cash and cash equivalents	16	18,962	465
Current tax assets	11	557	241
Total current assets		24,164	1,020
Liabilities			
Current liabilities			
Trade and other payables	17	(1,335)	(341)
Other financial liabilities	18	-	(4,087)
Total current liabilities		(1,335)	(4,428)
Net current assets / (liabilities)		22,829	(3,408)
Non-current liabilities			
Other financial liabilities	19	(74)	-
Net assets / (liabilities)		23,360	(3,323)
Capital and reserves			
Called up share capital	21	1	1
Share premium	22	17,263	-
Share-based payment reserve	23	331	-
Advanced subscriptions reserve	24	16,142	-
Profit and loss	26	(10,377)	(3,324)
Shareholders' funds		23,360	(3,323)

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
Philip Belamant
39B394508FFE416...

P M Belamant
Date: 5/8/2022

The notes on pages 14 to 40 are an integral part of these financial statements.

ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Advanced subscriptions reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2020 – as restated	**1**	**-**	**-**	**-**	**(3,324)**	**(3,323)**
Total comprehensive expense for the period						
Loss for the year	-	-	-	-	**(7,804)**	**(7,804)**
Transactions with owners						
Shares issued	-	**17,263**	-	-	-	**17,263**
Employee share schemes - value of employee services	-	-	**331**	-	-	**331**
Advanced subscriptions	-	-	-	**16,142**	-	**16,142**
At 31 March 2021	**1**	**17,263**	**331**	**16,142**	**(11,128)**	**22,609**

The notes on pages 14 to 40 are an integral part of these financial statements.

ZILCH TECHNOLOGY LIMITED

Registered number: 11488502

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Advanced subscriptions reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2020 - as restated	1	-	-	-	(3,324)	(3,323)
Total comprehensive expense for the period						
Loss for the year	-	-	-	-	(7,053)	(7,053)
Transactions with owners						
Shares issued	-	17,263	-	-	-	17,263
Employee share schemes – value of employee services	-	-	331	-	-	331
Advanced subscriptions	-	-	-	16,142	-	16,142
At 31 March 2021	1	17,263	331	16,142	(10,377)	23,360

For the year ended 31 March 2020

	Called up share capital £'000	Share premium £'000	Share-based payment reserve £'000	Advanced subscriptions reserve £'000	Profit and loss £'000	Total equity £'000
At 1 April 2019	-	-	-	-	(259)	(259)
Total comprehensive expense for the period						
Loss for the year – as restated	-	-	-	-	(3,065)	(3,065)
Transactions with owners						
Shares issued	1	-	-	-	-	1
At 31 March 2020 – as restated	1	-	-	-	(3,324)	(3,323)

The notes on pages 14 to 40 are an integral part of these financial statements.

ZILCH TECHNOLOGY LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Group 2021 £'000	Company 2021 £'000	Group and Company 2020 £'000
Cash flows from operating activities			
Loss for the financial year	(7,804)	(7,053)	(3,065)
Adjustments for:			
Interest payable	110	110	156
(Increase) in debtors	(4,331)	(4,331)	(399)
(Decrease) in creditors	(507)	(507)	(312)
Depreciation of tangible assets	24	24	23
Amortisation of intangible assets	51	51	11
Income tax credit	(557)	(557)	(241)
Income taxes received	241	241	100
Share-based payment expense	405	405	-
Other gains and losses - convertible loan notes	751	-	-
Net cash generated from operating activities	(11,617)	(11,617)	(3,727)
Cash flows from investing activities			
Purchase of intangible assets	(443)	(443)	(80)
Purchase of tangible assets	(151)	(151)	(20)
Net cash from investing activities	(594)	(594)	(100)
Cash flows from financing activities			
Proceeds from issue of shares	17,263	17,263	1
Proceeds from advanced subscriptions	16,142	16,142	-
Interest paid	(110)	(110)	(156)
Loans advanced	-	-	2,587
Repayment of loans	(2,587)	(2,587)	-
Issue of convertible loan notes	10,000	-	1,500
Net cash used in financing activities	40,708	30,708	3,932
Net increase in cash and cash equivalents	28,497	18,497	105
Cash and cash equivalents at the beginning of the year	465	465	360
Cash and cash equivalents at the end of the year	28,962	18,962	465

The notes on pages 14 to 40 are an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2021

1 General Information

The Company is a private company, limited by shares incorporated in the United Kingdom and registered in England and Wales, registered number 11488502. The address of the registered office is 123 Buckingham Palace Road, London, England, SW1W 9SH.

Nature of the entity's operations and principal activities

The nature of the Company's operations and principal activity was that of providing virtual credit to end consumers for the purchase of goods from both affiliated and non-affiliated retailers. The collection of cash from end consumers and the settlement of retailers is facilitated by a third-party Merchant Acquirer and Merchant Issuer, respectively.

These financial statements are presented in sterling (£), the Group and Company's functional currency, and have been rounded to the nearest thousand £'000 unless indicated to the contrary.

2 Accounting policies

The principal accounting policies as applied in the preparation of these financial statements are set out below. These policies have been applied consistently throughout the period presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with EU-adopted International Financial Reporting Standards (IFRS) including standards and interpretations issued by the International Accounting Standards Board and in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared using the historical cost convention except that as disclosed in the accounting policies below, including financial liabilities measured at fair value through profit and loss (FVTPL). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The year ended 31 March 2021 is the first year that consolidated financial statements have been prepared for the Group. In November 2020, the Company acquired 100% of the shareholding of Zilch Finance 1 Ltd on incorporation which has been consolidated in the 2021 Group financial statements. The 2020 figures are presented for comparative purposes and relate solely to the parent entity.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements, as detailed in Note 3. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

2 Accounting policies (continued)

First time adoption of IFRS

For the year ended 31 March 2021, the Group is adopting EU-adopted IFRS accounting standards for the first time. The Company financial statements for the year ended 31 March 2020 were prepared under United Kingdom Generally Accepted Accounting Practice - FRS 105.

The transition has had no impact on the Company's reported net finance position, equity, performance or cash flow for 2020. Financial assets and liabilities have been classified in accordance with IFRS 9 as detailed in Note 20. This includes a balance sheet reclassification of convertible loan notes totalling £1,500,000 existing at 31 March 2020 from non-current liabilities to current financial liabilities measured at fair value through profit or loss.

Retrospective restatement

The 2020 Company financial statements have been restated to adjust for an overstatement of consumer loan receivables at 31 March 2020 totalling £57,000 identified as part of the 31 March 2021 year-end audit work. The result on the 2020 comparative figures is an increase in administrative expenses in the Statement of Comprehensive Expense by £57,000 and a corresponding reduction in retained earnings by £57,000 impacting the 31 March 2020 Company Statement of Financial Position and Company Statement of Changes in Equity in these financial statements.

Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue to meet its liabilities as they fall due. The Directors have reviewed the Group's business plan, including income statement and cash flow forecasts up to March 2023, funding and key risks. The business plan reflects the current uncertain economic conditions resulting from the COVID-19 global pandemic and Brexit. Having undertaken this assessment the Directors have a reasonable expectation that the Company and Group have sufficient resources to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and the Board considers it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertaking. A subsidiary is an entity where the Company has control over that investee. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

The results of subsidiary undertakings acquired or disposed of during the financial period are included from, or up to, the effective date of acquisition or disposal. Uniform accounting policies have been adopted across the Group.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Accounting policies (continued)

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the annual reporting period commencing 1 April 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Revised Conceptual Framework for financial Reporting.

The amendments listed above have not had any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Statement of Cash Flows

The Statement of Cash Flows is reported using the indirect method. The statement is divided into payments from operating activities, investing activities and financing activities. Operating activities stems mainly from revenue-producing activities of the entity. Operating cash flows include cash received from customers and cash paid to suppliers and employees. Investing activities are the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents. Financing activities are activities that alter the equity capital and borrowing structure of the entity.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of VAT and trade discounts. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenues are recognised when identified performance obligations have been fulfilled in accordance with IFRS 15 and can be categorised as follows:

Commission income from merchants ("Affiliate" revenue)
Affiliate revenue is marketing fees paid by merchants in exchange for successful checkout by customers introduced by the Company. Affiliates are accessed either through a network or direct agreement. The performance obligation is satisfied at the time of check out by the end-consumer. The Company recognises revenue when it has been approved by the affiliate on a monthly basis.

2 Accounting policies (continued)

Commission income from consumers ("Anywhere" fees)
Anywhere fees are paid directly by the customer on checkout where they have purchased from a website not affiliated with the Company. The performance obligation is satisfied when a customer makes a purchase, and any loan is executed. Revenue is recognised in the transaction month.

Interchange revenue
The Company earns interchange revenue at a percentage of total settlements. The performance obligation is satisfied when a customer makes a purchase and any loan is executed.

Advertising revenue
Advertising revenue relates to marketing services provided to certain retailers and is invoiced monthly. Advertising revenue is recognised over the period of the service contract with the retailer.

The Group applies the practical expedient in IFRS 15.121 (i.e. non-disclosure of remaining performance obligations as per IFRS 15.120) on the basis that all performance obligations are expected to be satisfied within a contract period of less than 1 year.

All consideration from contracts with customers is included in the transaction price. There is no non-cash consideration or adjustment for the effects of the time value of money given there are no long-term customer contracts.

Returns and reversals
Every merchant has a different returns policy, typically between 14 and 180 days. Returns are initiated by the customer. Anywhere fees for which there is a subsequent return are non-refundable. When a customer returns a purchase to the retailer, Zilch pays negative interchange back to Mastercard via the Merchant Issuer. This is taken net of the positive interchange received in a particular month and grossed up to income and expenses within the financial statements.

Returns are provided for based on historic return rates. At the period end, other receivables in respect of consumer loans are credited and other payables are credited, representing amounts due back from the retailers via the Merchant Issuer.

Finance costs

Finance costs represent bank charges and interest payable on other liabilities recognised using the effective interest rate method. This is presented net of minimal bank interest received.

Taxation
Income taxes consist of current tax and deferred tax. Income taxes are reported directly in the income statement except when the underlying transaction is reported directly against equity or other comprehensive income, in which case also the accompanying tax is reported in equity or other comprehensive income.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Accounting policies (continued)

Deferred tax is reported according to the balance sheet method for all temporary differences between an asset's or a liability's tax base and its carrying amount in the balance sheet. Deferred tax assets are reported for non-utilised tax relief to the extent it is probable that the relief will be able to be set off against future taxable surpluses. Deferred taxes are estimated according to the tax rate that is expected to apply at the time of taxation.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Computer & office equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Any impairment identified is charged in the statement of profit or loss and other comprehensive income.

Intangible assets

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible assets are amortised on a straight-line basis over their useful lives. The useful lives of intangible assets are as follows:

IT Build development expenditure 5 years

IT build development expenditure capitalised relates to a high-performance credit granting and payment processing platform integrated with third party systems. A useful life of 5 years is based on expert knowledge provided by the product development team.

Intangible assets capitalised in respect of Domain names are held at cost and reviewed annually for impairment.

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date. Any impairment identified is charged in the statement of profit or loss and other comprehensive income.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This definition is also used for the statement of cash flows.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. Where the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are subsequently classified into the following specified categories:

- financial assets at fair value through profit or loss, including held for trading; or
- amortised cost.

The classification depends on the nature and purpose of the financial asset (ie. the Company's business model for managing the financial assets and the contractual terms of the cash flows) and is determined at the time of initial recognition.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not held at amortised cost are held at fair value through profit or loss.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Accounting policies (continued)

Trade and other receivables

Trade receivables, which generally have 30-day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Specific provision for impairment is made through profit or loss when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Consumer loan receivables in respect of "Pay in 4" transactions are receivable in instalments over a period of 6 weeks from the transaction date. The Company provides credit to the consumers over time but settles the retailer at the point of sale. Zilch collects payment from consumers via a Merchant Acquirer and therefore takes on the settlement risk on behalf of the retailer. Consumer loan receivables are recognised and carried at the lower of the transaction purchase amount less any instalments paid, and the recoverable amount, taking into account factors such as financial difficulty and fraud. General provision for impairment of consumer loan receivables is determined using the simplified approach for the recognition of expected credit losses in accordance with IFRS 9 as set out below.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables and consumer loan receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables and consumer loan receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Accounting policies (continued)

The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade and consumer loan receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the receivable will not be collected the gross carrying value of the asset is written off against associated provision.

De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Trade and other payables

Short term creditors are measured at the transaction price. Other financial liabilities are measured at fair value or subsequently at amortised cost using the effective interest method as detailed below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

2 Accounting policies (continued)

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Group has designated to measure convertible loan note instruments as financial liabilities at FVTPL under the simplified approach permitted by IFRS 9, Financial instruments. As the instruments contain embedded derivatives, they have been designated as at FVTPL on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair through profit or loss are expensed as incurred.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

2 Accounting policies (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrant awards

Warrant awards issued to capital introducers, entitling the holder a right to acquire a fixed number of shares in the Company in the future for a fixed price upon certain trigger events, are classified as equity instruments where the likelihood of a trigger event occurring is probable. Such warrant awards are measured at the future subscription price upon recognition and are not subsequently remeasured.

Advanced subscriptions

Cash received as consideration under advanced subscription agreements is recognised within equity where there is an irrevocable commitment under the terms of the agreement to acquire shares in the Company in the future.

Share-based payments

The Group engages in equity-settled and cash-settled share-based payments transactions in respect of services received from employees.

Equity-settled awards

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date in line with IFRS 2. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)
For the year ended 31 March 2021

2 Accounting policies (continued)

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding credit to equity.

Cash-settled awards
For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability in line with IFRS 2. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency of Sterling by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Pensions

The Company operates a defined contribution pension plan for its employees. A defined contribution plans is a plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid, the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Leases

The Group has entered only into short-term leases with a contractual term of 12 months or less and has elected to apply the practical expedients in IFRS 16 for short-term leases. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3 Critical accounting estimates and judgements

The preparation of the financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. As at 31 March 2021 the Group had the following critical accounting estimates and assumptions:

(i) Provision for credit losses in respect of consumer loan receivables

Management estimate the required impairment of consumer loan receivables at the balance sheet date applying an expected credit loss model using a provision matrix. Management use the 'simplified' approach permitted under IFRS 9, which allows entities to recognise lifetime expected losses on assets without the need to identify significant increases in credit risk. Using data from inception (1 January 2019) to the balance sheet date, management have calculated historical loss rates for instalments that are 0 days overdue up to 90+ days overdue. Total credit losses comprise bad debts, fraud and financial distress write-offs, excluding "forced churn" debts, which refers to new customers who fail payments and are not allowed back on to the Group platform.

The historical loss rate is calculated by taking the total credit losses divided by total sales that reach each ageing group. Management apply a 20% growth rate to the historical loss rate to factor in the rapid growth and start-up nature of the business.

(ii) Useful life of intangible IT build and development costs;

Management have estimated that the useful economic life of capitalised IT build and development costs in respect of the Zilch platform to be 5 years and amortisation has been applied on this basis.

(iii) Employee share option and award scheme vesting periods based on the probability and timeline of conditional exit events occurring, such as a public listing or sale.

Management have estimated the probability of exit events relevant to share-based payment transactions based on their business plans and financial forecasts.

(iv) Fair value measurements

In estimating the fair value of an asset, liability or equity instrument, management uses market-observable data to the extent it is available. For valuing equity-settled share-based payment transactions, management have used the Black-Scholes model and supportable inputs. Refer to Note 23 for further details.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. To manage these risks management operate a risk management programme focused on monitoring market trends in the fintech industry, debt collection procedures for consumer loans and use of reputable third party acquiring and issuing facilities to help manage cash flow.

Capital risk management
The capital of the Group comprises the called-up share capital in relation to ordinary shares and retained earnings. The Group's capital structure is governed by a shareholder agreement. The Group's objective when managing capital is to ensure the Group continues as a going concern and is able to meet its liabilities as and when they fall due.

Notes to the financial statements (continued)
For the year ended 31 March 2021

5 Revenue

An analysis of revenue by source is as follows.

	2021	2020
	£'000	£'000
Interchange revenue	287	33
Merchant revenue	267	3
Anywhere revenue	171	-
Other revenue	1	8
Advertising revenue	6	-
Total	**733**	**44**

All revenue arose within the United Kingdom in the current and prior period.

The nature of the Company's and Group's business, being the provision of short-term credit and consumer loan financing, is such that the requirements of disclosure under IFRS 15 contract balances is not applicable.

6 Loss for the year

	Note	2021 £'000	2020 £'000
Loss for the year is stated after charging:			
Net foreign exchange losses		5	1
Research and development - including relevant staff costs		1,180	-
Depreciation of property, plant and equipment	13	24	23
Amortisation of intangibles	14	51	11
Loss allowance on consumer loan receivables - expected lifetime credit losses		428	-
Bad debts written off – consumer loan receivables		1,045	288
Share-based payment expense	23	405	-

Notes to the financial statements (continued)

For the year ended 31 March 2021

7 Staff costs

Staff costs including Directors' remuneration were as follows:

	2021 £'000	2020 £'000
Wages and salaries	1,794	688
Social security costs	207	88
Defined contribution pension expenses	24	4
Share-based payment expense	405	-
Total	**2,430**	**780**

The average monthly number of employees including directors during the year was 34 (2020: 10).

8 Director and key management personnel remuneration

Key management personnel includes one director who is also a founder of the Company. They are responsible for planning, directing and controlling the operations of the Group.

No benefits have accrued under defined benefit schemes in the period (2020: None). Key management compensation during the period was made up as follows:

	2021 £'000	2020 £'000
Wages and salaries	159	-

9 Other gains and losses

	2021 £'000	2020 £'000
Fair value loss on financial liabilities FVTPL – convertible loan notes	751	-

Convertible loan notes were issued by the Company's wholly owned subsidiary, Zilch Finance 1 Ltd, to investors during the year ended 31 March 2021. Management has elected to hold these loan notes at fair value through profit or loss. Refer to Note 18 for further details.

Notes to the financial statements (continued)

For the year ended 31 March 2021

10 Finance costs

	2021 £'000	2020 £'000
Interest expense on loans held at amortised cost	110	156

Refer to Note 18 for details of other loans and related interest.

11 Taxation

	2021 £'000	2020 £'000
Corporation tax		
Current tax	(557)	(241)
Total	(557)	(241)

The charge for the year can be reconciled to the loss before tax as follows:

	2021 £'000	2020 £'000
Loss before tax on continuing operations	(8,361)	(3,306)
Loss on ordinary activities multiplied by the standard corporation tax in the UK of 19%	(1,589)	(628)
Effects of:		
Expenses not deductible for tax purposes	213	3
Capital allowances	(29)	(4)
Tax losses utilised in the period	1,405	629
Research and development tax credit	(557)	(241)
Total tax charge for the period	(557)	(241)

Factors that may affect future tax charges

In March 2021 the Chancellor announced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023.

Tax losses

Unused tax losses at the period end date for which no deferred tax asset has been recognised total circa £8.3m (2020: £2.6m). Due to the start-up nature of the business, the timing and extent of future profits remains uncertain and cannot be reliably estimated at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 March 2021

12 Investments

Company

	Investment in subsidiary companies
	£
Cost	
Additions	1
At 31 March 2021	**1**

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Ownership %	Nature of business	Aggregate of share capital and reserves at 31 March 2021 £'000	Profit/(loss) for the year ended 31 March 2021 £'000
Zilch Finance 1 Ltd	100	Factoring and financial intermediation	751	751

Zilch Finance 1 Ltd was incorporated on 26 November 2020 in England and Wales. The registered office address is 123 Buckingham Palace Road, London, England, SW1W 9SH.

Following incorporation, the only transactions during the period from incorporation to 31 March 2021 relate to the issue of share capital and convertible loan notes.

The subsidiary has been consolidated in the 2021 Group financial statements by combining the assets, liabilities, equity, income, expenses and cash flows of the subsidiary with those of the parent and eliminating the cost of the investment.

13 Property, plant and equipment

Group and Company

	Office Equipment £'000	Computer Equipment £'000	Total £'000
Cost			
Balance at 1 April 2020	2	33	34
Additions	-	151	151
Balance 31 March 2021	2	183	185
Accumulated depreciation and impairment			
Balance at 1 April 2020	1	10	11
Depreciation expense	1	23	24
Balance 31 March 2021	1	33	34
Carrying amount			
Balance 31 March 2021	1	151	152
Balance at 31 March 2020	1	23	24

14 Intangible fixed assets

Group and Company

	Domain name £'000	IT Build development £'000	Total £'000
Cost			
Balance at 1 April 2020	14	70	84
Additions	-	443	443
Balance 31 March 2021	14	513	527
Accumulated amortisation and impairment			
Balance at 1 April 2020	-	23	23
Amortisation expense	-	51	51
Balance 31 March 2021	-	74	74
Carrying amount			
Balance 31 March 2021	14	439	453
Balance at 31 March 2020	14	47	61

Notes to the financial statements (continued)

For the year ended 31 March 2021

15 Trade and other receivables

Group and Company

	2021 £'000	As restated 2020 £'000
Trade receivables	27	8
Consumer loan receivables	3,426	108
Other receivables	630	62
Prepayments and accrued income	562	136
Total	**4,645**	**314**

a) Credit risk

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for consumer loan receivables. The lifetime expected credit loss provision is as follows:

31 March 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total £'000
Expected loss rate	3%	11%	16%	16%	16%	
Growth rate	4%	14%	19%	20%	20%	
Gross carrying amount - consumer loan receivables before write-offs in the period (£'000) – see below	3,491	408	330	303	596	5,128
Loss allowance (£'000)	**132**	**55**	**64**	**59**	**118**	**428**

Zilch applies a growth rate % as shown in the above table to the historical loss rate to factor in the rapid growth of the business as a start-up company. Due to the nature of the Company and Group's business there are no non-current receivable balances against which lifetime expected credit losses have been recognised.

A lifetime expected loss allowance in respect of consumer loan receivables was not provided for at 31 March 2020 on the basis that it was immaterial.

During the current period, consumer loan receivables written off during the year as uncollectable including due to fraud and financial difficulty were £1,045,000 (2020: £288,000). At 31 March 2021, the consumer loan receivables balance has also been adjusted downwards by circa £230,000 in respect of returns and reversals actioned by consumers after the year-end date in relation to loans executed prior to the year-end.

ZILCH TECHNOLOGY LIMITED

Notes to the financial statements (continued)

For the year ended 31 March 2021

16 Cash and cash equivalents

	Group 2021	Company 2021	Group and Company 2020
	£'000	£'000	£'000
Cash at bank	28,962	18,962	465

Group cash includes £10,000,000 received as consideration for convertible loan notes issued by the Company's wholly owned subsidiary prior to the year-end. This cash is held under trust deed.

17 Trade and other payables

	Group 2021	Company 2021	Group and Company 2020
	£'000	£'000	£'000
Trade payables	936	936	219
Social security and other taxes	233	233	72
Other payables	21	21	-
Accruals and deferred income	145	145	50
Total	1,335	1,335	341

18 Other financial liabilities: Current

Current	Group 2021 £'000	Company 2021 £'000	Group and Company 2020 £'000
Loans held at amortised cost	-	-	2,587
Convertible loans - FVTPL	10,751	-	1,500
Total	10,751	-	4,087

Convertible loans

Convertible loan notes were issued by the Company's wholly owned subsidiary, Zilch Finance 1 Ltd, to potential investors during the year ended 31 March 2021 for cash consideration of £10m. The cash was received into the subsidiary's bank account prior to the 31 March 2021 year-end and protected under trust deed. Under the terms of the convertible loan note agreements, the loan notes carry a coupon rate of 7.5%. The loan note holders were given the option to request repayment of their investment in instalments from 31 July 2021 onwards. The Company retained the right to convert the loans notes into ordinary shares before 31 July 2021 depending on the outcome of an investment round. As such, the convertible loan notes are presented as a current liability.

Notes to the financial statements (continued)

For the year ended 31 March 2021

18 Other financial liabilities: Current (continued)

Subsequent to the year-end in April 2021, all convertible loan notes were converted into 27,354 ordinary shares in the Company. This is considered to be a non-adjusting post balance sheet event.

At 31 March 2020, convertible loans relate to interest free convertible loan arrangements executed during the year ended 31 March 2020, under which loans were advanced to the Company to the sum of £1,500,000. Under the terms of the agreements, loan note holders had the option to require repayment of their investment depending on the outcome of an investment funding raise. In April 2020, all £1,500,000 convertible loan notes were converted into 38,887 ordinary shares in the Company.

The Group has elected under IFRS 9 to measure the convertible loan notes as financial liabilities at fair value through profit or loss (FVTPL). Following initial recognition at the transaction price, the fair value of the liabilities has been determined at the balance sheet date taking into consideration a market rate of interest.

Other loans

At 31 March 2020, other loans represent loan advances from various lenders which have been classified as financial liabilities measured at amortised cost using the effective interest rate method. Under the terms of the loan agreements, interest accrues at 8-15% and the loans were repayable no later than 15 December 2020. All loans were repaid by the Company during the current period and interest payable on the loans has been recognised within Finance costs in profit or loss.

19 Other financial liabilities: Non-Current

	Group	Company	Group and Company
	2021	2021	2020
Non-Current	**£'000**	**£'000**	**£'000**
Cash-settled share-based payment scheme liability	74	74	-

Refer to Note 23 "Share-based payments" for further details.

Notes to the financial statements (continued)

For the year ended 31 March 2021

20 Financial assets and financial liabilities

Financial assets	Group 2021 £'000	Company 2021 £'000	Group and Company 2020 £'000
Financial assets measured at fair value through profit or loss (FVTPL)	28,962	18,962	385
Financial assets that are debt instruments measured at amortised cost	4,640	4,640	499
Total	**33,602**	**23,602**	**884**
Financial liabilities			
Financial liabilities measured at fair value through profit or loss (FVTPL)	10,825	74	1,500
Financial liabilities measured at amortised cost	1,190	1,190	291
Total	**12,015**	**1,264**	**1,791**

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise consumer loan receivables, trade and other receivables.

Financial liabilities measured at fair value through profit or loss comprise convertible loan notes and cash-settled share-based payment liabilities.

Financial liabilities measured at amortised cost comprise trade and other payables and loans held at amortised cost.

The Group has adopted EU-adopted IFRS accounting standards for the first time for the preparation of its financial statements for the accounting year ended 31 March 2021. The date of initial application of IFRS 9 (2014) is 1 April 2019, being the beginning of the comparative period. IFRS 9 replaced IAS 39, Financial Instruments – Recognition and Measurement, effective for annual period beginning on or after 1 January 2018. As such, a reconciliation to IAS 39 reporting requirements is not applicable to the Group.

Application of IFRS 9 has had no overall impact on the Company's reported net financial position or performance for 2020. Financial assets and liabilities have been classified in accordance with IFRS 9 as noted above. This includes a balance sheet reclassification of convertible loan notes totalling £1,500,000 existing at 31 March 2020 from non-current liabilities to current financial liabilities measured at fair value through profit or loss.

Notes to the financial statements (continued)

For the year ended 31 March 2021

21 Share capital

	2021	2020
	£	£
Authorised, allotted, called up and fully paid		
500,000 Founder shares of £0.001 each	500	500
332,420 Ordinary shares of £0.001 each	332	-
Total	**832**	**500**

Issued and fully paid:	
At 1 April	500
Issued during the year	332
At 31 March	**832**

The Company has two classes of shares, Founder shares and Ordinary shares. All shares carry one vote per share and have rights to receive dividends and to participate in a distribution of capital (including on winding up) subject to the provisions of the articles of association.

22 Share premium

	2021	2020
	£'000	£'000
Balance at 1 April	-	-
Premium arising on issue of equity shares	17,263	-
Total	**17,263**	-

Share premium represents the credited difference in price between the nominal value of shares and the total subscription price of issued £0.001 Ordinary shares during the period.

23 Share-based payments

Equity-settled share-based payments

The Company operates a share option plan for founders and senior management. In accordance with the terms of the plan, employees are granted options to purchase ordinary shares in the Company for a fixed price over a vesting period ranging from 10 months to 3 years from the grant date.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

Notes to the financial statements (continued)

For the year ended 31 March 2021

23 Share-based payments (continued)

Options may be exercised at any time from the date of vesting to the date of their expiry, which is the tenth anniversary of the date of the grant. If the options remain unexercised after the tenth anniversary from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest. Some options have non-market performance conditions attached to them, including targets for sales lead generation, whilst others have only a continued service condition attached.

Awards were granted under the scheme with effective dates from August 2018 onwards for founding members and up to February 2021 for other option holders. The share-based payment expense in respect of awards granted in previous years has been accounted for in the 2021 financial statements on the basis that it is immaterial.

Equity-settled share-based payments are accounted for based on the fair value at award grant date with the requisite expense recognised over the vesting period of the award. The Black-Scholes option pricing model is used to determine the fair value of equity options granted under the plan.

Details of the share options outstanding during the year are as follows:

	2021	2021	2021
	Company & Group	Weighted average exercise price £/share	Weighted average fair value at grant date £/share
Outstanding at the beginning of the year	-	-	-
Granted during the year	57,897	£15.93	£29.00
Outstanding at the end of the year	57,897	£15.93	£29.00
Exercisable at the end of the year	34,916	£15.93	£29.00

During the period, no share options were forfeited, exercised or expired. The inputs into the Black Scholes model are as follows:

	2021
Weighted average share price £	29.00
Weighted average exercise price £	15.93
Expected volatility	25%
Expected life	3 years
Risk-free rate	5%

Expected volatility was determined by management taking into consideration the historical volatility of the Company's share price, fintech industry market trends as well as the start-up nature of the business.

Notes to the financial statements (continued)

For the year ended 31 March 2021

23 Share-based payments (continued)

For share options outstanding at the year-end, the range of exercise prices is £0.001 - £69 and the range of grant date fair values is £0.001 - £361.07. The weighted average remaining contractual life at 31 March 2021 is 8 years and the weighted average remaining vesting period is 2 years.

The Group recognised a total charge of £331,000 in relation to this scheme in 2021 (2020: Nil) in profit or loss with a corresponding credit to the Share-based payment reserve within equity.

Cash-settled share-based payments

The Group issues to certain employees notional share awards which entitle the holder to a cash bonus payment upon certain trigger events occurring in the future, including a sale, change in control or listing. A bonus cash payment, equal to the proceeds payable to a shareholder of the Company holding an equal number of shares, is payable following a trigger event to the holder if: a) performance targets are met to the satisfaction of the management team; and b) employees continue to be in full-time employment with the Company.

Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2021 year-end date. As such, the related expense for employee services has been spread straight line over a period of 3 years.

The Company issued 2,109 notional share awards to employees during the year ended 31 March 2021. The grant date fair value has been calculated at £69/share and the fair value at the year-end date has been calculated at £420.46. Both values are based on share prices paid by investors to acquire ordinary shares in the Company at corresponding periods.

For cash-settled transactions, the Company recognises a cost in profit or loss over the service period and a corresponding liability on the balance sheet, included within "Other financial liabilities". The liability is remeasured at each reporting date until settlement date for subsequent changes in fair value. On the basis that the settlement is not expected to take place for 3 years from the balance sheet date, the liability has been presented as a non-current liability.

The Group has recorded a liability of £74,000 at 31 March 2021 (2020: Nil) in respect of this cash-settled share-based payment plan, which includes employer's national insurance contributions calculated at 13.8%. The Group has recorded total expenses of £74,000 in the period (2020: Nil).

24 Advanced subscriptions

During the year ended 31 March 2021, the Company received cash of £16,142,000 in respect of advanced subscriptions for £0.001 Ordinary shares in the Company. £4,170,000 was related to certain advanced subscription agreements issued in the financial year, under the terms of these advanced subscription agreements, there is an irrevocable commitment by the subscriber to acquire shares in the Company in the future based at either a fixed conversion price of £420.46 per share or at a variable price per share, subject to the terms of a "Qualifying Finance Round" as set out in the subscription agreement.

24 Advanced subscriptions reserve (continued)

Cash received as consideration under advanced subscription agreements is considered to represent the fair value of the equity instrument and is credited to the Advanced subscriptions reserve within equity.

Subsequent to the year-end in May 2021, all advanced subscriptions at 31 March 2021 were converted into Ordinary £0.001 shares in the Company.

25 Warrants

During the year ended 31 March 2021, 20,276 warrants were awarded in relation to capital fundraising activities. Under the terms of the warrant instrument agreements, the warrants give the holders a right, but not an obligation, to subscribe to a fixed number of shares for a fixed price at a future date.

The subscription price is the nominal value of the shares (£0.001) and is conditional upon a trigger event taking place, being a sale or listing. Based on management objectives and current forecasts, a trigger event is expected to occur and is deemed to be probable within 3 years from the 31 March 2021 year-end date.

The warrants are presented within equity on the basis that they are considered to meet the "fixed for fixed" equity classification criteria under IFRS 9. The fair value of each warrant is considered to be the nominal value, totalling £20 for all warrants, which is not tied to current market values.

26 Profit and loss

The profit and loss account represents cumulative profits and losses net of all adjustments and transactions with owners (e.g. dividends).

27 Related party transactions

Refer to Note 7 for details of Directors' remuneration and Key management personnel remuneration.

Related undertakings are companies related by common control and comprise Zilch Finance 1 Ltd. There were no transactions between Group companies and related undertakings requiring disclosure in these financial statements and no intercompany balances existing at 31 March 2021 or 31 March 2020.

The Directors have determined that there is no ultimate controlling party as no individual shareholder is considered to hold a controlling interest in the Company.

28 Events after the reporting period

Events occurring after the reporting period are summarised below and are all considered to be non-adjusting events.

- In April 2021, convertible loan notes totalling £10m included within other financial liabilities at 31 March 2021 were converted into 27,354 Ordinary £0.001 shares.
- In May 2021, all advanced subscriptions totalling £16,142,000 at 31 March 2021 were converted into Ordinary £0.001 shares in the Company.
- The Group has raised significant debt and equity investment in excess of $270million as part of its series B and series C funding rounds from June/July 2021 to June 2022. This includes the following:
    - In July 2021 the Group obtained a commitment from Goldman Sachs Asset Management of £50million for a flexible draw down facility with £75 million of follow-on funding to support the growth of the Zilch lending book. The facility is secured by a fixed and floating charge created in September 2021 over the assets of the parent Company. A separate entity, Zilch Finance 2 Limited, is the legal borrower however the Group are in substance expected to utilise the facility to develop the credit service offering and ancillary products/services. Further to this Goldman Sachs Asset Management also invested a further circa £7 million in equity.
    - In July 2021 the company acquired the issued share capital of a US company, Nepfin. The consideration payable was US$4,500,000, to be satisfied by the issue of 7,754 Consideration shares, 40% at completion, 30% on the 12 month anniversary of the Completion date and 30% on the 18 month anniversary of the Completion date. In December 2021, one of the founders left triggering the retention of 30% of the Consideration shares against the purchase consideration. The acquisition will facilitate the launch of the Zilch product in the US market.
- Between June/July 2021 and June 2022:
    - A further 41,177 equity-settled options were granted under the scheme detailed in Note 23, with 777 equity-settled options being forfeited or cancelled.
    - A further 14,804 cash-settled awards were granted under the notional scheme as detailed in Note 23, with 2,853 cash settled-awards being cancelled, covering staff bases in the UK, USA and Poland.
    - A further circa 6,000 warrants were awarded under warrant instrument agreements as detailed in Note 25. In October 2021, 16,624 warrants were exercised.